

December 18, 2007

The Health Benefits Committee met on Tuesday, December 18, 2007, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 10:00 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair
Marjorie Berte
Terrence McGuire representing John Chiang
Rob Feckner
Greg Beatty representing David Gilb
Steve Coony representing Bill Lockyer
Tony Oliveira

Excused: Charles Valdes

Other Board members present: Robert Carlson Kurato Shimada Maeley Tom

AGENDA ITEM 2 – APPROVAL OF NOVEMBER 14, 2007, HEALTH BENEFITS COMMITTEE MEETING MINUTES

The November 14, 2007, Health Benefits Committee meeting minutes were approved as presented.

Marjorie Berte ABSTAINED.

AGENDA ITEM 3 – LEGISLATION

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch and Wendy Notsinneh, Chief, Office of Governmental Affairs, provided an update on the Governor's Health Care Reform Bill, ABX1 (Nunez). Ms. Notsinneh informed the Committee that AB1X had passed the Assembly on December 17, 2007 and had moved to the Senate to be taken up at the first of the year. Mr. Franklin noted two points of interest: 1) funding in terms of leasing out the California State Lottery had been removed and the central funding of the bill is now based on a four percent tax on hospital revenues; and, 2) a tobacco tax provision was included in the new version.

AGENDA ITEM 4A – INTERIM BOARD HEALTH BENEFITS CONSULTANT REPORT (WATSON WYATT)

As an information item, Watson Wyatt Worldwide gave an overview on three written opinions it provided to the Committee regarding constituent outreach strategy, the rate negotiation process, and the health and disease management initiative. In addition, Watson Wyatt Worldwide addressed the unified pharmacy benefit management initiative and the single third-party administrator request for information. This presentation concluded the formal assignments given to them as the CalPERS Interim Board Consultant.

AGENDA ITEM 4B – UPDATE ON IMPLEMENTATION APPROACH FOR HEALTH BENEFITS SINGLE ADMINISTRATOR

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented an update on the request for information released on October 23, 2007, regarding the feasibility of adopting a Single Third-Party Administrator for the CalPERS Health Benefits Program. Staff received responses from Aetna, Blue Cross, Blue Shield, Buck Consulting, Cigna, George Michael and Associates, HealthNet, Humana, Kaiser and United Healthcare. In-person interviews were being scheduled with seven of the ten respondents, and conference calls with the other three, to allow an opportunity to further describe their responses. Another update will be provided at the February 20, 2008, Health Benefits Committee meeting.

AGENDA ITEM 4C – CONSOLIDATION OF PHARMACY BENEFITS MANAGEMENT SERVICES

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, provided an update on the study to evaluate the potential value of consolidating the Blue Shield Health Maintenance Organization's (HMO) prescription drug benefits into the prescription drug benefits currently managed by Medco as part of the Self-Funded Preferred Provider Organization (PPO) health plans. Staff have received a draft of the study from Mercer and have created two individual specialty studies for Blue Shield and Medco to review.

AGENDA ITEM 4D – HEALTH AND DISEASE MANAGEMENT INITIATIVE UPDATE

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, highlighted the progress on several key elements of the Health and Disease Management Initiative and provided an overview of the next steps, including plan surveys, communication strategies for members and health plan providers, and implementation.

Neal Johnson, SEIU Local 1000, spoke on this item.

AGENDA ITEM 4E – APPROVAL OF AWARD OF CONTRACT, RFP NO. 2007-4365 BOARD HEALTH CONSULTANT

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, informed the Committee that contract negotiations between Watson Wyatt Worldwide and CalPERS have been completed. Agreement of a three-year contract has been reached to begin January 2, 2008 and conclude January 1, 2011. Each year the contract is worth \$1.2 million, for a total of \$3.6 million.

On **MOTION** by Tony Oliveira, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to award the Board Health Consultant Contract, RFP No. 2007-4365, to Watson Wyatt Worldwide subject to staff's final approval of the contract.

AGENDA ITEM 5A – HEALTH MAINTENANCE ORGANIZATION FINANCIAL RESERVES REPORT

As an information item, representatives from Blue Shield of California and Kaiser Permanente discussed information regarding their plans' financial reserves relating to CalPERS membership.

AGENDA ITEM 5B – BLUE SHIELD NETVALUE IMPLEMENTATION UPDATE

As an information item, Tom McCaffrey and Dan Prettyman, Blue Shield of California, presented an update on the new NetValue HMO plan that becomes effective January 1, 2008. Blue Shield will track written and verbal member satisfaction and will provide quarterly reports to CalPERS highlighting the types of member grievances, including if grievances are provider-related.

At this time, Jim Zerio represented Bill Lockyer.

Greg Stelzner, Vacaville Police Officers' Association, spoke on this item.

AGENDA ITEM 6A - PERS SELECT IMPLEMENTATION UPDATE

As an information item, Steve Scott and Rob Honaker, Blue Cross of California, presented an update on the new PERS Select PPO plan that becomes effective January 1, 2008. Enrollment into PERS Select was estimated at 3100 members, which was approximately ten percent of the original projection. Blue Cross is still reviewing expansion opportunities into four excluded counties (Alameda, Solano, Marin and Placer) and will continue communications with members and providers.

At this time, Charles Valdes joined the meeting.

AGENDA ITEM 9A – RECOMMENDATION OF LONG-TERM CARE APPLICATION PERIOD FOR 2008

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented a recommendation to approve the Long-Term Care Program application period for 2008. Since the inception of the CalPERS Long-Term Care Program in 1995, staff has recommended to the HBC and the Board of Administration that an annual Application Period be approved to offer long-term care coverage to it's eligible applicant base: California public employees and retirees, their spouses, siblings, parents and parents-in law.

On **MOTION** by Marjorie Berte, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to approve the 2008 Long-Term Care Program application period beginning April 1, 2008 through June 30, 2008.

AGENDA ITEM 9B - FISCAL YEAR 2006-2007 LONG-TERM CARE ANNUAL VALUATION REPORT

Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, presented the Fiscal Year 2006-2007 Long-Term Care Annual Valuation Report. The 2007 actuarial valuation report was completed by United Health Actuarial Services, Inc.

On **MOTION** by Marjorie Berte, **SECONDED** and **CARRIED**, the Committee recommended the Board approve staff's recommendation to accept the Long-Term Care Program 2007 Valuation Report.

AGENDA ITEM 9C - FISCAL YEAR 2007-2008 FIRST QUARTER LONG-TERM CARE VALUATION REPORT

As an information item, Alan Milligan, Managing Actuary, Actuarial and Employer Services Branch, provided the Committee with the Fiscal Year 2007-2008 first quarter Long-Term Care Program Valuation Report and reviewed the financial impact of the recently implemented rate actions adopted by the Board.

AGENDA ITEM 10 – ASSISTANT EXECUTIVE OFFICER REPORT

As an information item, Gregory Franklin, Assistant Executive Officer, Health Benefits Branch, noted the new Master Calendar of annual Health Benefits Committee agenda items, Agenda Item 10a, which will be provided to the Committee on a monthly basis.

AGENDA ITEM 11 – PROPOSED AGENDA FOR FEBRUARY 20, 2008, HEALTH BENEFITS COMMITTEE MEETING

The proposed agenda for the February 20, 2008, Health Benefits Committee meeting was accepted as presented.

The Chair recognized Robert Carlson and Maeley Tom for their contributions to the Health Benefits Committee while serving as members of the CalPERS Board of Administration.

AGENDA ITEM 12 – PUBLIC COMMENT

Greg Stelzner, Vacaville Police Officers' Association, spoke on the current Health Maintenance Organization options in Solano County.

The meeting was adjourned at 12:32 p.m.

The next meeting of the Committee is scheduled for February 20, 2008, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.

FRED BUENROSTRO
Chief Executive Officer